

Knox County Commission



REQUEST FOR LEGISLATIVE ACTION

Date Submitted 5-28-09
Requested By KCDC
Department/Phone 403-1168

*This form must be submitted
by Noon on the first Monday
of each month*

1. Item for consideration: (Please indicate type and describe legislative action desired.)

_____ Ordinance P Resolution

DESCRIPTION

A Resolution of the Knox County Commission
Approving an Amendment to the Historic
MARKET SQUARE Redevelopment and
URBAN Renewal Plan and Providing
TAX Increment Financing.

2. Committee: (Please indicate the appropriate committee(s) for legislative action.)

 P Intergovernmental, Chairman, Craig Leuthold
 P Finance, Chairman, Paul Pinkston

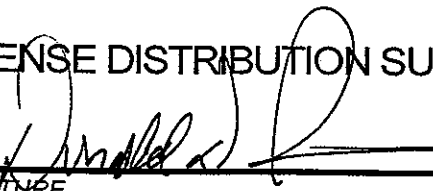
3. This item (please mark one) . . .

 P does not require the expenditure of funds
_____ is funded in the current budget
_____ requires an additional appropriation (in which case, fill out the reverse side of this form)

REVENUE/EXPENSE DISTRIBUTION SUMMARY

DEPARTMENT DIRECTOR

SIGNATURE

 Donald D. Peterson

PROJECT TITLE

The Aronstein Building

Will this appropriation be tracked as a project?

(YES NO)

APPROPRIATIONS

Unit # _____

Expense Account

Description

Expense Account	Description	
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

TOTAL APPROPRIATIONS

\$ _____

REVENUE

This additional appropriation is being funded from (please mark appropriate boxes)...

Budget

Account #

Account #	Bond Proceeds	Fund Balance	Additional Revenue (list additional revenue source(s) below)	Budget
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____

TOTAL REVENUE

\$ _____

RESOLUTION

A RESOLUTION OF THE KNOX COUNTY COMMISSION APPROVING AN AMENDMENT TO THE HISTORIC MARKET SQUARE REDEVELOPMENT AND URBAN RENEWAL PLAN AND PROVIDING TAX INCREMENT FINANCING

WHEREAS, Knoxville's Community Development Corporation ("KCDC") has prepared an amendment to the redevelopment and urban renewal plan entitled the Historic Market Square Redevelopment and Urban Renewal Plan and has submitted the same to the Knox County for its approval under T.C.A. § 13-20-203(b)(1); and,

WHEREAS, the Plan amends the Historic Market Square Redevelopment and Urban Renewal Plan and provides tax increment financing for the Arnstein Building project located at 505 Market Street.

NOW THEREFORE, BE IT RESOLVED BY KNOX COUNTY COMMISSION:

SECTION 1: That the amendment to the Historic Market Square Redevelopment and Urban Renewal Plan, as presented to the County Commission on the date hereof, is hereby approved.

SECTION 2: That tax increment financing is hereby approved for Arnstein Building project located at 505 Market Street not to exceed the limits estimated in the plan amendment.

SECTION 2: This resolution will take effect from and after its passage, the welfare of Knox County requiring it.



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Alvin J. Nance, President/CEO

MEMORANDUM

To: Knox County Mayor and Members of County Commission
From: Don Peterson, Vice -- President, Development, KCDC
Subject: Historic Market Square Redevelopment and Urban Renewal Plan – TIF Provision
Date: May 7, 2009

The Arnstein Building project is located at 505 Market Street. The developer is Arnstein Partners, LLC. David Dewhirst is the Managing Partner. Albert Richie is their Legal Counsel. Kelso Regen Associates is the Project Engineer, Mark Heinz, AIA is the Architect and Dewhirst Construction, LLC is the General Contractor.

The official current Street address is 505 Market Street. The tax parcel number is 094LE019. The property is currently owned by Arnstein Partners, LLC. The Arnstein Building will be redeveloped into a mixed use development allowing the combination of residential, office and retail occupancy space. This program represents the anticipated current demand but may change depending on market conditions. Financial details are as follows:

CAPITAL INVESTMENT

Building Purchase	\$1,850,000
Soft costs	\$ 853,534
Construction	<u>\$5,811,466</u>
Total Project Cost	\$8,515,000

FINANCING

Construction Loan	\$5,990,000
Cash Equity	\$1,380,000
TIF Provision	<u>\$1,145,000</u>
Total	\$8,515,000

Note: The TIF amount is \$1,145,000 which represents 13% of total development costs.

**TAX INCREMENT AMENDMENT TO THE HISTORIC
MARKET SQUARE REDEVELOPMENT AND URBAN
RENEWAL PLAN**

Knoxville's Community Development Corporation ("KCDC") has previously prepared a redevelopment and urban renewal plan (the "Plan") for the Historic Market square area. After a public hearing held by KCDC, the Plan was approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee. KCDC has received a request from a developer for a redevelopment project within the amended redevelopment area to utilize tax-increment financing in connection with their project. The purpose of this amendment to the Plan is to permit the use of tax-increment financing for such purpose.

TAX INCREMENT FINANCING PROVISION

The Plan is hereby amended to provide that, subject to the limitations herein, taxes, if any, levied each year upon real property leased or sold by KCDC to private developers for development as part of a redevelopment project shall after the date this amendment is approved by the City Council of the City of Knoxville and the County Commission of Knox County, Tennessee shall be divided as follows:

(1) That portion of taxes which would be produced by the rate at which the tax is levied each year by each taxing agency, upon the assessed value of such property as shown upon the assessment roll of the appropriate assessor, as of the date of the most recently determined valuation prior to the date on which the redevelopment plan or urban renewal plan or amendment thereof was approved by the applicable municipality or municipalities pursuant to section 13-20-203, (the assessed value being herein called the "base assessment") shall be allocated to, and when collected, shall be paid to, the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid; provided, that in any year in which the actual assessment of the area comprising a redevelopment project is less than the base assessment, there shall be allocated and paid to the respective taxing agencies only those taxes actually produced by the application of the current tax rates against such actual assessment;

(2) All the taxes levied in each year in excess of the amount provided for in subdivision (1) shall be allocated to and, when collected, shall be paid into a special fund or funds of KCDC to pay the principal of and interest on bonds, loan or other indebtedness incurred or to be incurred by KCDC to finance or refinance, in whole or in part, the redevelopment project contemplated by such redevelopment plan. If any portion of the taxes received by KCDC pursuant to this provision are not needed within the next six-month period to pay scheduled debt service payments, such excess shall either be used to prepay such indebtedness or to reimburse any guarantor of such indebtedness for payments made by such guarantor with respect to such indebtedness;

(3) Upon the retirement of all bonds, loans or other indebtedness incurred by KCDC and payable from such special fund or funds or at such time as moneys on deposit in such special fund or funds are sufficient for such purpose, all the taxes referred to in subdivision (2) shall,

when collected, be paid to the respective taxing agencies as taxes levied by such taxing agencies on all other property are paid, and KCDC shall give notice to the City of Knoxville and Knox County of such retirement. Any incremental taxes received by KCDC during the last tax year that the indebtedness is outstanding that is in excess of the amount needed to pay the remaining debt service on such indebtedness may be used to reimburse any guarantor of such indebtedness for payments made by such guarantor with respect to such indebtedness. Thereafter, all incremental tax revenues shall be retained by the appropriate taxing agency; and

(4) Taxes shall be levied and collected over all or any part of the area comprising a redevelopment project in the manner provided by the law with the following exceptions:

(A) The appropriate assessor shall, in each year during the period in which taxes are to be allocated to KCDC pursuant to subdivision (2), compute and certify the net amount, if any, by which the current assessed value of all taxable property located within the redevelopment project which is subject to taxation by the particular taxing agency exceeds the base assessment. The net amount of any such increase is referred to in this subdivision (4) as the incremental value for that particular year;

(B) In any year in which taxes are to be allocated to KCDC pursuant to subdivision (2) in which there is an incremental value, the appropriate assessor shall exclude it from the assessed value upon which the appropriate assessor computes the tax rates for taxes levied that year by the taxing agency. However, the appropriate assessor shall extend the aggregate tax rate of such taxes against the base assessment and the incremental value and shall apply the taxes collected therefrom, subject to any other provisions of this amendment or any other legal limitations, as provided above; and

(C) For purposes of this section, if in any year property comprising a portion of a particular redevelopment project shall be removed from the tax rolls of a taxing agency, the base assessment for the area of such redevelopment project shall be reduced by the amount of the base assessment allocable to the property so removed for each subsequent year in which taxes are to be allocated to a particular authority pursuant to the above provisions.

Notwithstanding the foregoing, this tax increment financing provision shall only apply to real property acquired by KCDC that is approved by the City Council of the City of Knoxville and the County Commissioners of Knox County, Tennessee pursuant to a subsequent amendment to the Plan, provided, however, that this amendment shall apply without any further approvals to the real property located in the redevelopment area known the Arnstein Building at 505 Market Street presently owned by Arnstein Partners, LLC.

ECONOMIC INFORMATION RELATING TO TAX INCREMENT

The project is known as the Arnstein Building at 505 Market Street. The estimated cost of the Project is approximately \$8,515,000. The sources that are expected to be used to pay the costs of the Project are a construction loan of \$5,990,000, tax increment financing of \$1,145,000, and owners equity of \$1,380,000. The estimated amount of the tax increment financing for the Dewhirst Properties Building Project is \$1,145,000 and the final maturity is expected to be 15

years after the April 1 following the date that the project is completed pursuant to the redevelopment agreement with KCDC. The expected impact of the tax increment financing amendment upon the City of Knoxville is approximately \$51,435 per year and on Knox County approximately \$58,972 per year.

CERTAIN TAXES EXCLUDED

Notwithstanding anything to the contrary in this section, taxes levied upon property subject to tax increment financing provisions by any taxing agency for the payment of principal of and interest on all bonds, loans or other indebtedness of such taxing agency, and taxes levied by or for the benefit of the State of Tennessee, shall not be subject to allocation as provided in subsection (a), but shall be levied against such property and, when collected, paid to such taxing agency as taxes levied by such taxing agency on all other property are paid and collected.

NOTICE OF PUBLIC HEARING

Knoxville's Community Development Corporation, acting on behalf of the City of Knoxville and City Council, will hold a Public Hearing on an Amendment to the "Historic Market Square Redevelopment and Urban Renewal Plan" as authorized under the Housing Authorities Law, Title 13, Chapter 20, of the Tennessee Code Annotated, as amended. Said Public Hearing will be held at 4:00 p.m. on Friday, May 29, 2009 in the KCDC Board Room, 901 Broadway, Knoxville, Tennessee. The purpose of the hearing is to determine the necessity for the inclusion of tax increment financing in the Historic Market Square Redevelopment and Urban Renewal Plan with respect to the Arnstein Building at 505 Market Street. Copies of the plan amendment and a map of the project boundary may be inspected after May 11, 2009, at the offices of Knoxville's Community Development Corporation, 901 Broadway, and the City of Knoxville Department of Policy and Economic Development, 6th floor of the City County Building, during normal business hours, Monday through Friday. Any person desiring to comment on the plan amendment will be afforded an opportunity to make their comments at the public hearing.

Alvin J. Nance - Executive Director and Chief Executive Officer